

Be an expert on everything.



## Asia's changing dynamics beckon Australia

By Stephen Grenville

Published: April 26 2004 19:36 | Last Updated: April 26 2004 19:36

The Asian region has changed markedly since its economic crisis in 1997-98. There is now a bigger divide between the increasingly successful countries of north-east Asia, while much of south-east Asia is still licking its wounds, preoccupied with avoiding a repetition of the crisis. Most Asian governments are clearly more inclined to rely on regional resources than on looking to the International Monetary Fund and the multilateral system, which many see as having failed them in the crisis. The Asia Pacific Economic Co-operation forum is still valued for its regular leaders' summits but showed itself to be ineffective during the debacle. In addition, Apec's expansion has made the group too big and diverse. The centre of regional economic co-operation has shifted to the grouping known as Asean+3 (the 10 Association of South East Asian Nations plus Japan, China and South Korea).

More by accident than design, Australia finds itself outside the action. Sidelined in recent years from Asian regional trade initiatives, Canberra may now take some hope from Asean's recent invitation to attend talks later this year to discuss a possible free trade deal.

In its approaches to the region, Australia has often emphasised its "Asian-ness", measured in terms of similarities. But, at least in narrow economic terms, this is the wrong perspective. One of the oldest and strongest lessons of economics is that the benefits of integration are greatest if the partners are different - if their skills and resources are complementary, rather than the same.

Australia views the world differently from its Asian neighbours. Its skills and resources - among other features - are different. These differences provide opportunities to reap the efficiencies of complementarity with Asia, to mutual benefit.

Of course, Asean will, like any club, decide who it deals with and on what terms. There is no question of Australia's joining Asean. But, meanwhile, any country aspiring to participate in regional integration should indicate its willingness to observe the club rules of behaviour while modestly drawing attention to its qualifications.

Among Australia's many technical credentials is its eclectic, multicultural "can-do" society; a mostly "good" history; education skills; well-developed corporate law and governance; and experience in privatisation and economic and financial reform (high on the regional agenda).

For 30 years, Australia has attempted to find a balance between its traditional ties with Europe, vital links with the US and the emerging possibilities of a fast-growing Asia. Under Paul Keating's prime ministership (1991-96), the Asian dimension was a priority, while under John Howard (since 1996), ties with the US have taken centre-stage. Personal animosities, East Timor, Australian domestic politics and the Asian crisis all conspired to cool the Asian relationship.

Some see a distancing from Asia as no bad thing. Regional integration can be a slow and frustrating process, as Europe has demonstrated. For Australia as a resource producer in a resource-hungry region, the promise of north-east Asia could fuel arguments to bypass south-east Asia in favour of China; 37 per cent of Australia's exports go to north-east Asia, compared with less than 13 per cent to Asean. But geography is a big part of destiny. Australia has a vital interest in a successful regional neighbourhood. The advantages are the same for neighbours everywhere - life is more difficult if you are at loggerheads.

Now, however, there seems to be a real prospect of finding a balance - one that gives greater weight to Asia without needing to choose among friends. The way for Australia will be smoothed by the retirement of Mahathir Mohamad, Malaysia's leader and a past critic of Canberra, and the shift in America's previously lukewarm attitude to Asean's expanding regional role. In Australia, there is a new generation of leaders who grew up more comfortable with Asia than their predecessors. On both sides, the situation is looking more promising.

Both sides of Australian politics say that good relations with Asia are a priority, so the issue is simply "how?" rather than "whether". Some argue that Australia should play hard to get: at the very least, there is a unanimous political aversion to "fawning". Certainly, no country wants to force itself on an unwelcoming Asia. But if there is a change of attitude occurring, Australia needs to read this shift and respond in kind.

*The writer is a visiting fellow at the Lowy Institute for International Policy and former deputy governor of the Reserve Bank of Australia*

#### Related stories

[Companies prepare for an enlarged EU](#) Apr 26 2004 20:05 

[Philip Stephens: Blair's uncertain point of departure](#) Apr 26 2004 19:13 

[Trade alone does not help Third World](#) Apr 26 2004 20:20 

[John Gapper: A slick production](#) Apr 26 2004 19:45 

 = requires [subscription](#) to FT.com

#### Find this article at:

<http://news.ft.com/s01/servlet/ContentServer?pagename=FT.com/StoryFT/FullStory&c=StoryFT&cid=1079420618668&p=1012571727126>

☐ Check the box to include the list of links referenced in the article.

on every business issue in the world